

Message Text

SECRET

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14

ORIGIN NEA-07

INFO OCT-01 SS-14 ISO-00 PM-03 DODE-00 NSC-05 NSCE-00

SSO-00 SP-02 CIAE-00 H-01 INR-05 INRE-00 L-01 ACDA-10

OMB-01 IGA-01 EB-03 MC-01 PRS-01 TRSE-00 /056 R

DRAFTED BY NEA/PAB:DBARCHARD/MW

APPROVED BY P:PCHABIB

PM:DKEENE(DRAFT)

NEA:ALATHERTONJR

NEA:ADUBS

NEA/PAB:PWLANDE

S/S - MR.SHANKLE

----- 127481

O R 282250Z OCT 76

FM SECSTATE WASHDC

TO AMEMBASSY DACCA IMMEDIATE

INFO AMEMBASSY ISLAMABAD

AMEMBASSY NEW DELHI

S E C R E T STATE 266318

LIMDIS

E.O. 11652: GDS

TAGS: PARM, MASS, BG, US

SUBJECT: ARMS SUPPLY POLICY TOWARD BANGLADESH

REF:A.DACCA 5438; B. STATE 252346; C. STATE 258148

1. IT APPEARS FROM PARA 2 OF REFTTEL A THAT DCMLA ADMIRAL KHAN MAY HAVE MISUNDERSTOOD OR MISINTERPRETED SOME ASPECTS OF OUR ARMS SUPPLY POLICY TOWARD BANGLADESH, IN PARTICULAR, WITH RESPECT TO CREDIT. CHARGE, AT HIS DISCRETION, REQUESTED TO SEEK MEETING WITH ZIA AND KHAN (AND TABARAK HUSSAIN IF CHARGE BELIEVES THIS APPROPRIATE) TO CLEAR UP APPARENT MISUNDERSTANDINGS. AMBASSADOR WOULD THEN BE IN A SECRET

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POSITION TO CONFIRM U.S. POLICY POSITION ON ARMS SALES

SHOULD THIS ISSUE ARISE IN HIS INITIAL CALLS ON BANGLADESH OFFICIALS.

2. IN THE COURSE OF OUR THREE SEPARATE EXCHANGES WITH KHAN AND SIDDIQI ON OCTOBER 5, 6, AND 15, WE MADE IT CLEAR THAT NEITHER "CONCESSIONAL" CREDIT TERMS NOR GRANT AID (EXCEPT POSSIBLY FOR TRAINING) IS POSSIBLE. MR. HABIB STRESSED TO KHAN THAT THE USG HAS VIRTUALLY NO FLEXIBILITY ON TERMS (PARA 9, REF B). HABIB POINTED OUT THAT ANY CREDIT EXTENDED WOULD HAVE TO BE AT THE COST OF MONEY (CURRENTLY AT AN 8 TO 8.5 PERCENT RATE) AND FOR RELATIVELY SHORT TERMS

(7 TO 10 YEARS). AS REPORTED, KHAN SEEMED TO UNDERSTAND THE IMPLICATIONS OF HABIB'S STATEMENT AS HE PROFESSED SHOCK IN HEARING THESE RATES AND CALLED THEM "UNACCEPTABLE."

3. CONCESSIONAL CREDITS ASIDE, WE HAVE DONE OUR BEST TO MAKE IT CLEAR TO THE BANGLADESHIS THAT ANY CREDITS, EVEN AT PREVAILING COMMERCIAL RATES, WOULD BE DIFFICULT TO COME BY. MR. HABIB TOLD BOTH SIDDIQI AND KHAN THAT WE HAVE STRONG INHIBITIONS ABOUT GRANTING ANY CREDITS TO THE BDG ESPECIALLY IN LIGHT OF OUR SOUTH ASIAN POLICY AGAINST FMS CREDITS AND THE POSSIBLE CONGRESSIONAL REACTION TO SUCH CREDITS WHICH COULD PUT IN JEOPARDY OUR ECONOMIC ASSISTANCE PROGRAM. KHAN AGREED THAT THE ECONOMIC ASSISTANCE PROGRAM WAS OF PRIME IMPORTANCE.

4. IT SHOULD BE MADE CLEAR TO THE BDG THAT WE PROVIDED THEM WITH THE PAPER ON FMS FINANCING FOR THEIR INFORMATION ONLY AND THAT WE DID NOT IMPLY THEREBY THAT SUCH CREDIT (OR EVEN FMS ELIGIBILITY) WOULD BE FORTHCOMING.

5. WE ARE POUCHING COPIES OF PROPOSED FMS CREDIT RECIPIENTS FOR FY 77 WHICH DOD PREPARED FOR CONGRESSIONAL PRESENTATION. THE LIST REPRESENTS REQUESTED ALLOCATIONS, NOT ALL OF WHICH HAVE BEEN AUTHORIZED OR APPROPRIATED. THE FY 78 FMS CREDIT PROGRAM HAS NOT YET BEEN FINALIZED.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY ASSISTANCE, ARMS, POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 28 OCT 1976
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976STATE266318
Document Source: CORE
Document Unique ID: 00
Drafter: DBARCHARD/MW
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760403-0461
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t1976108/aaaaagci.tel
Line Count: 99
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN NEA
Original Classification: SECRET
Original Handling Restrictions: LIMDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: LIMDIS
Reference: 76 DACCA 5438, 76 STATE 252346, 76 STATE 258148
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 14 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 JUN 2004 by buchant0>; APPROVED <30 SEP 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ARMS SUPPLY POLICY TOWARD BANGLADESH
TAGS: PARM, MASS, BG, US
To: DACCA
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006